

EXAMPLE G

This example shows a married couple with a family size of two and a \$25,000 AGI. They are jointly repaying \$15,000 in Direct Subsidized Loans (\$10,000 for one spouse and \$5,000 for the other) at 8.25 percent interest under the **ICR Plan**.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Repayment
\$15,000	\$25,000	\$129*	16	\$27,974**

*Calculated as follows:

Step 1: Add the Direct Loan balances of the husband and wife together to determine the aggregate loan balance.

$$\text{\$5,000} + \text{\$10,000} = \text{\$15,000}$$

Step 2: Multiply the principal balance by the constant multiplier for 8.25% interest. (.0109621) (For constant multipliers, see the chart on page A-3).

$$0.0109621 \times 15,000 = 164.4315$$

Step 3: Multiply the result by the income percentage factor that corresponds to the joint income. (For income percentage factors, see the chart on page A-3.) 78.63% (0.7991) $\times 164.4315 = \$129$

Step 4: Determine 20 percent of discretionary income.** (See page A-5 for poverty guidelines chart.)

$$[\text{\$25,000} - \text{\$10,850}] \times 0.20 \div 12 = \$236$$

Step 5: Payment is the amount determined in step 3 because it is less than 20 percent of discretionary income.

**\$15,000 in principal and \$12,974 in interest

***Poverty guideline for a family size of two